



Attorney Docket No. 13.041

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re application of:

Wade Lee

Serial No. 09/891,484

Filed: June 25, 2001

For: **WORKLIGHT WITH THERMAL
WARNING**

Examiner: Tania C. Courson

Group Art Unit: 2859

**DECLARATION OF WADE LEE
UNDER 37 CFR 1.132**

Mail Stop Non-Fee Amendment
Commissioner for Patents
P. O. Box 1450
Alexandria, VA 22313-1450

May 7, 2003

Dear Sir:

I, Wade Lee, declare:

1. I am the applicant in the above-captioned application.
2. I have worked in the lighting industry continuously since 1987. In my current position I am a Principal and founder of EML Technologies LLC, a product development company that has developed and presently sells several lines of halogen worklights. At EML Technologies I am engaged in all aspects of the business relating to worklights. Specifically I am responsible for new product development, for product testing and UL safety standards compliance, for manufacturing, and for sales and marketing. I have been involved in all stages of worklight product development—from initial product conception to first designs and prototype fabrication, testing, revisions, and commercial production. I oversee performance and safety testing of our worklights and sometimes personally perform such tests myself. I also oversee worklight compliance with Underwriters Laboratories testing program. In addition to product development, I have primary responsibility for sales and marketing. In that capacity I make it a practice to be knowledgeable about current worklight products on the market. I frequently visit with our accounts, including such accounts as The Home Depot, Sears, Roebuck & Co., and Costco Inc. and am knowledgeable about the worklight products that these accounts presently carry or have carried in the past.

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3. Prior to founding EML Technologies, I was Vice President for Engineering at Intellectron Incorporated. In that capacity I had responsibility for all aspects of new product development, including worklights, and oversaw worklight manufacturing and compliance with UL standards. At Intellectron I also worked closely with the Sales and Marketing Departments in all matters relating to worklights. As the principal technologist at Intellectron I frequently participated in sales presentations and interacted with such accounts as The Home Depot, Sears, Roebuck & Co., Menards, and Costco Inc, through which I became familiar with the worklight market. In addition, I regularly reviewed competitive products for possible patent infringement issues as well as to keep abreast of recent developments. Through my years of experience in the industry I am informed and knowledgeable about the matters I discuss below.

4. When I refer to worklights in this Declaration, I am referring to halogen worklights operating at the nominal 120-Volt power supply. These worklights have the common characteristic that they all get hot under the action of the halogen bulbs, which necessarily run significantly hotter than the more common incandescent bulb of comparable wattage. My invention in the above-captioned application addresses the hotness issue by providing a temperature warning indication that is visible when the worklight surface is hot and that is not visible when the surface is not hot.

5. Halogen worklights are in widespread use and have been for a number of years. They are carried as stock items as well as special promotional items in the nation's largest mass merchandisers and retailers in the professional and do-it-yourself and home-center markets. The following mass merchandisers, home centers and retailers carry halogen worklights on a regular basis in substantially all of their stores: The Home Depot, Sears, Lowes, Menards, Orchard Supply Hardware. In addition, these worklights are carried from time to time by Costco and Sam's Club. They are also carried by Grainger International, which is a major industrial supplier with large catalog sales.

6. Halogen worklights have been known for some time. I note, by way of illustration, Design Patent No. D207,967 of Harrison et al., issued June 20, 1967, which

shows an early halogen worklight or floodlight for use in photography. (The halogen bulb is plainly illustrated in the '967 patent.) Worklights became popular on the shelves of major retailers in the late 1980s and early 1990s and have remained popular ever since. All of these worklights (that is, the 120-Volt halogen variety) necessarily get hot enough to the touch to present a danger of injury to a user. The high operating temperature follows from the technical principle by which the halogen bulb operates and has been an ever-present problem.

7. To guard against the possibility of injury to a user from a hot worklight surface, worklight manufacturers have conventionally and almost uniformly relied on a printed warning label on the worklight surface. By way of illustration I note several such warnings from commercially available worklights. A simple actual warning label reads:

“WARNING – LAMP IS HOT!!!”

Including the three exclamation points! Another, more extensive warning label reads:

“HOT SURFACE: Warning – Risk of Fire/Injury to persons, Keep away from combustibles, Unplug to change bulb, Do not touch bulb. Caution – Risk of electric shock, do not use with extension cord near water or where water may accumulate, Keep lamp at least 16 feet (5m) from pools and spas, Keep plugs and receptacles dry, For use only on GFCI protected circuits, Suitable for wet location use.”

These warnings are printed on gummed, heat-resistant labels that are adhered to a surface of the worklight. I do not recall ever seeing a commercially available worklight without such a warning label.

8. Hot worklight surfaces are also the concern of Underwriters Laboratories Inc. Underwriters Laboratories Inc. is an independent, not-for-profit product safety testing and certification organization. The Home Depot, Lowes, Sears Menards, Costco as well as most other large and small chains require their worklights to be UL-inspected and certified. As I stated above in Paragraphs 2 and 3, I presently oversee compliance with UL safety testing requirements for worklights and other products on behalf EML Technologies LLC and previously oversaw UL compliance on behalf of Intelectron Incorporated.

9. As a result I am familiar with UL requirements for worklights. The UL standard for the maximum temperature in the immediate vicinity of the worklight surface is 150 degrees centigrade (302 degrees Fahrenheit). Attached hereto is a true and accurate copy of an e-mail from a UL employee to me, in which I inquired about the relevant standard and in which the employee responds.

10. In the course of my investigations of the market for worklights I have had the opportunity to discuss with contractors and builders their usage of worklights and their comments and needs. Building contractors routinely use worklights in the course of building new houses and remodeling old ones. It is not uncommon for contractors to procure at least one new worklight for each new housing construction project. I consider the volume of homes being built or remodeled each year to be a rough casual measure for gauging a lower estimate on the number of worklights in use in the construction industry.

11. The Home Depot and Sears both sell halogen worklights under their own private brands and also sell them or have sold them in the past under such other third-party vendor brand names as Regent, Rite-Lite, IDC, The Designers Edge and others. The Home Depot private brand is Commercial Electric.[®] Sears sells worklights under two private brand designations: Craftsman[®] and Craftsman Professional.[®]

12. Attached hereto are true and accurate printouts of the following documents:

- Printout from The Home Depot web site www.homedepot.com showing halogen worklights offered for sale over the web (2 pages);
- Printout from the Sears web site www.sears.com showing halogen worklights offered for sale over the web (2 pages);
- Printout from Lowe's web site www.lowes.com showing halogen worklights offered for sale over the web (2 pages);
- Printout from The Designers Edge web site www.designersedge.com showing a range of worklights offered by The Designers Edge. A first page is the Worklight home page identifying the Home Light Series, the Pro Series, and the Pro Series

PLUS. This is followed by printouts showing the offerings of these series (2 pages for each series);

- The Home Depot Annual Report for the fiscal year ended February 3, 2002 (first 5 pages);
- Sears, Roebuck and Co. Annual Report for the fiscal year ended December 29, 2001 (first 4 pages);
- Lowe's Companies, Inc. Annual Report for the fiscal year ended February 1, 2002.

The printouts from the web sites are offered to illustrate the worklights' widespread popularity. The Home Depot, Sears, and Lowes are well known retailers. The Designers Edge holds itself out on its web site home page as "an international lighting manufacturer, distributor, and marketer of residential and industrial lighting." The worklight home page identifies The Designers Edge as "the world leader of Portable Worklights."

13. The Exhibits A, B and C accompanying the Response to Office Action of November 19, 2002 are true and accurate printouts from the web of the documents they purport to be. The Exhibits D, E and F accompanying the Supplemental Response to Office Action of December 9, 2002 are true and accurate printouts from the web of the documents they purport to be.

I further declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under § 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the application or any patent issuing thereon.

5/7/03

Date



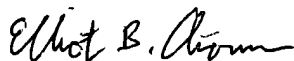
Wade Lee

I hereby certify that this correspondence is being facsimile transmitted to the Patent and Trademark Office on the date shown below.

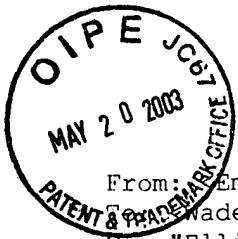
5/15/03

Date

By



Elliot B. Aronson
Reg. No. 29,279



From: Emmanuel.B.Imson@us.ul.com
To: Wade.Lee@EMLtech.net
Cc: "Elliot Aronson" <Elliot.Aronson@EMLtech.net>
Subject: Re: UL Worklight Temp tests
Date: Tuesday, June 25, 2002 4:29 PM

Wade,

The maximum surface temperature is 150C per Table 125.1, item 2 (New UL 153, 12th edition). However, any external enclosure surface temperatures exceeding 90°C (194°F) during the Normal Temperature Test shall be provided with a handle for positioning the light (114.3.1) "Exception: A work light is not required to comply with this requirement when it requires a tool for making aiming adjustments."

Regards,

Emmanuel Imson (Ext. 32944)
Project Engineer
Conformity Assessment Services
email: emmanuel.b.imson@us.ul.com

<Wade.Lee@EMLt
ech.net>

06/25/2002
03:44 PM

To: <emmanuel.b.imson@us.ul.com>
cc: "Elliot Aronson"
<Elliot.Aronson@EMLtech.net>
Subject: UL Worklight Temp tests

Hi Emmanuel,

I was wondering if you could give me the maximum surface temperature a worklight can reach? If you would be kind enough to give me the standard number and paragraph that states what the max temp is, I would really appreciate it.

Thanks again,
WADE

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- ▶ Dimmers
- ▶ Door Bells-Chimes
- ▶ Exit-Emergency Lighting
- ▶ Extension Cords
- ▶ Fittings, Boxes, & Covers
- ▶ Outlets, Plugs, & Switches
- ▶ Panels, Breakers, & Fuses
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- ▶ Smoke Alarms
- ▶ Surge Protectors
- ▶ Tape & Fastening Devices
- ▶ Testing Instruments
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- ▶ Wall Plates
- ▶ Wire
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- ▶ Worklights
- ▶ Video-Audio Accessories

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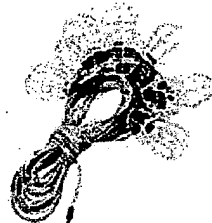
Worklights

Home > Online Store > Electrical > Worklights

Page 1 of 3 [next](#) < 1 2 3 >

Please choose from one of the following products:
To purchase, enter a quantity and click Buy.

Worklights



100' Light String \$83.75 each

Qty:



Commercial Electric 1000 Watt Industrial Twin Head Telescoping Power Light \$69.91 each

Qty:



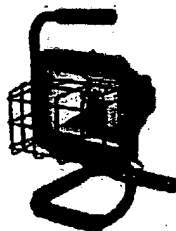
Commercial Electric 1000 Watt Telescoping Tripod Power Light \$49.86 each

Qty:



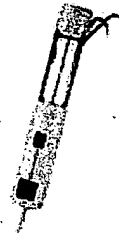
Commercial Electric 1000 Watt Twin Head Promotional Telescoping Worklight \$39.90 each

Qty:



Commercial Electric 500 Watt Portable Power Light \$19.97 each

Qty:



Bayco Products Pro Series Fluorescent Work Light \$19.95 each

Qty:

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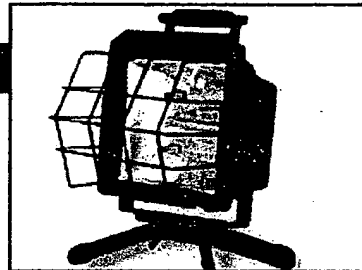
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Learn About Worklights

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 Free bonus every purchase
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- ▶ Bulbs - Floodlights
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- ▶ Bulbs - Decorative
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- ▶ Testing Instruments
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- ▶ Wire
- ▶ Wire Nuts-Connectors
- ▶ Worklights
- ▶ Video-Audio Accessories

Any job is easier and safer when working under bright light. With the aid of a worklight, you'll achieve higher quality and accuracy as you do your project. Portable worklights come in many shapes and sizes.

Types of Worklights



Halogen

These models offer up to 500 watts of light per lamp for maximum brightness. Made to operate on standard 120-volt household current, halogen lights are approved for indoor or outdoor use. Some models feature an adjustable tripod stand. Heavy-duty wire guards shield the hot halogen bulb. Dual lamp models provide 1000 watts of light. The bulb is included with the light.



Fluorescent

These 13-watt lights provide as much light as a 75-watt incandescent. The streamline design gives you flexibility to use in tight spaces. And the fluorescent lamp stays cool. The bulb is included with the light.



Incandescent

These low-cost lights typically hold a 75-watt bulb. Their small size also gives you flexibility to use in tight spaces. Beware, the incandescent bulb is not shielded and can get hot. Bulb is not included with the light.

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 Work Light Type: Halogen

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Sort by: Brand, Product Name, Price high to low, or Price low to high

Select 2-4 items

 SORT BY	 SORT BY	 SORT BY	
Brand	Product Name	Price	
 Craftsman	<u>1000 watt Halogen Work Light with Tripod Stand on Casters</u> Sears #: 03483973000	\$59.99 Rebate(s) Available	
 Craftsman	<u>1200 watt Halogen Light Tower</u> Sears #: 03473927000	\$59.99 Rebate(s) Available	 ★ Store Pick-Up
 Craftsman	<u>1000 watt Work Light with Tripod</u> Sears #: 03473926000	\$39.99 Rebate(s) Available	 ★ Store Pick-Up
 Vector	<u>Spotlight with Built-In Work Stand. Sport Spot®</u> Sears #: 03493171000	\$29.99 Rebate(s) Available	 ★ Store Pick-Up
 EML	<u>1000 watt Portable Work Light with Tripod</u> Sears #: 03483970000	\$29.99 Rebate(s) Available	
 Rite-lite	<u>500 watt Halogen Work Light, Convertible</u> Sears #: 03473921000	\$19.99 Rebate(s) Available	
 Vector	<u>Spotlight with Work Stand. Sport Spot®</u> Sears #: 03493170000	\$19.99 Rebate(s) Available	 ★ Store Pick-Up

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"Buy Options" buttons indicate an item is out of stock for home delivery. Click the button for other purchasing options.

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Not all products are available in every Sears store.

Click the "Add to Cart" button for final price.

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Work Lights

Item availability and price may vary by location.

Page 1 of 1



Regent Heavy Duty Professional Work Light

\$28.94 *Buy Now!*

Includes extension cord with reel and 500 watt halogen bulb, Weatherproof on/off safety switch



Regent Twin Stand Work Light with Tripod

\$60.00 *Buy Now!*

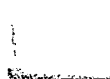
Heavy duty 1 3/4" diameter tubular steel pole adjust to 8' in height, Tip over safety switch, Independent weather proofing on/off safety switches, Vinyl coated fixture aiming handles, Approved for ind [...more](#)



Regent 300 Watt Cool Touch Halogen Worklight

\$32.96 *Buy Now!*

Exclusive tough polycarbonate outer shell design keeps surface cooler, Exclusive "Cool Touch" lens guard, Patented roll-over safety feature, Easy adjustments, Fixture folds down for compact storage



Regent 300 Watt 36" Halogen Shop Light

\$26.97 *Buy Now!*

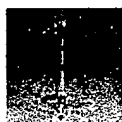
Twin 150 watt halogen (included) provides 4,800 lumens of light, 10% more light output than twin 40 watt fluorescent shop lights, Instant-on, pure white light, Starts at any temperature, Attractive cont [...more](#)



Regent Halogen Work Light

\$13.97 *Buy Now!*

Die cast aluminum construction, Includes 500 watt halogen bulb, Provides up to 10,000 sq.ft. of coverage, Comfortable foam padded handle, Grounded cord, Tempered safety glass lens, For indoor/outdoor



Regent 2-In-1 Convertible Work Light

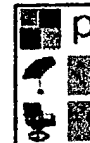
\$30.97 *Buy Now!*

Includes 500 watt halogen bulb, Converts in seconds - no tools needed, Provides 10,000 square feet of coverage, Weatherproof on/off switch, wire guard and light adjustments, Adjustable telescopic stand [...more](#)

Regent Hal gen Clamp Light

\$21.96 *Buy Now!*

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Outdoor Power

Featured



Visit Cub Cad



Die cast aluminum tubular steel with orange and black finish, 6' power cord, Patented clamp bracket for multiple adjustments, Includes 250 watt premium halogen bulb, Indoor/outdoor use, Lifetime warra [...more](#)



Regent Halogen Task Light

\$25.90 [Buy Now!](#)

White finish, Twin 150 watt halogen fixtures, Fixture head rotates 360 degree, 10% more light output than a standard twin 40 watt fluorescent shop light, Easily mounts to ceiling or wall with mounting [...more](#)



Regent Twin Stand Quartz Work Light

\$89.98 [Buy Now!](#)

Die cast aluminum tubular steel with orange and black finish stand extends from 46-88"H, Balanced foam grip handle, Heavy duty wire face guard, Spare bulb in handle design, Tip over safety switch, 3 p [...more](#)

WORKLIGHTS

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Worklights

As the world leader of Portable Worklights we offer innovative, high quality Halogen Worklights and Fluorescent Worklights designed for the Do It Yourself and Professional Tradesman.

Halogen



Home Light Series™

- Portable Lighting for the Do It Yourself Home Owner
- Quality Construction
- Home Projects
- 1 year Warranty



Pro Series™

- Portable Powerlights for the Professional User
- Heavy Duty Construction
- Contractor Grade
- 5 year Warranty



Pro Series PLUS™

- Portable Powerlights for Commercial and Industrial Applications
- Extra Heavy Duty Construction
- Commercial / Industrial Grade
- Lifetime Warranty

Fluorescent



Cool Brite™

- Portable Fluorescent Lighting for the Do It Yourself Home Owner
- Heavy Duty Construction
- Cool Energy Efficient Lighting
- 10 year Warranty



Cool Zone™

- Heavy Duty Fluorescent Portable Lighting for the Professional User
- Extra Heavy Duty Construction
- Bright & Cool Lighting
- Lifetime Warranty

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What's New

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Motion Activated Lighting

Security Lighting

Industrial Lighting

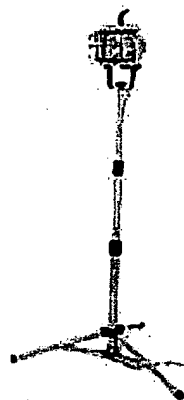
Worklights - Halogen

Home Light Series™ | Pro Series™ | Pro Series PLUS™

Home Light Series™ - Halogen Worklights

All lights shown are approved for outdoor use.

500watt Convertible Tripod and Floor Stand



- Telescopes from 40" to 67" with "Easy Grip" locking nuts
- Complete with additional floor stand
- Cord storage brackets
- Weatherproof on/off switch
- Complete with 500w halogen bulb
- Limited 1 year Warranty
- UL & CUL Listed

1000watt Halogen Telescoping Worklight



- Telescopes from 40" to 67" with "Easy Grip" locking nuts
- Cord storage brackets on pole
- Weatherproof on/off switch
- Complete with two - 500w halogen bulbs
- Limited 1 year Warranty
- UL & CUL Listed

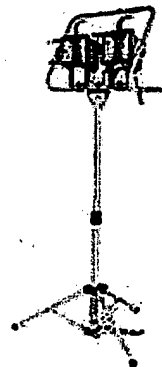
Model #: L-10
UPC #: 0-90529-606081

Case Pack: 2

Model #: L-14
UPC #: 0-90529-450219

Case Pack: 2

1000watt Halogen Telescoping Worklight with Sled Base



- Telescopes from 40" to 67" with "Easy Grip" locking nuts
- Cord storage brackets on pole
- Weatherproof on/off switch
- Complete with two - 500w halogen bulbs
- Limited 1 year Warranty
- UL & CUL Listed

500watt Halogen Portable Worklight

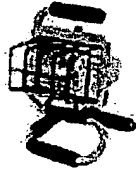


- "S" stand with foam grip handle
- Complete with 500w halogen bulb
- Limited 1 year Warranty
- UL & CUL Listed

Model #:	UPC #:	Case Pack:
L-14 sled	0-90529-611139	2

Model #:	UPC #:	Case Pack:
L-18	0-90529-450028	6

500watt Halogen Portable Worklight



- "S" stand with foam handle
- Weatherproof on/off switch
- Complete with 500w halogen bulb
- Limited 1 year Warranty
- UL & CUL Listed

500watt Halogen Worklight With 25' Cord and Reel



- Sled Base
- Cord reel with 25' 18/3grounded Extension cord
- Weatherproof on/off switch
- Complete with 500w bulb
- Limited 1 year Warranty
- UL & CUL Listed

Model #:	UPC #:	Case Pack:
L-33	0-90529-605862	6

Model #:	UPC #:	Case Pack:
L-809	0-90529-603448	4

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Industrial Lighting

Worklights - Halogen

Pro Series™ | [Home Light Series™](#) | [Pro Series PLUS™](#)

Pro Series™ - Halogen Worklights

All lights shown are approved for outdoor use.

1000watt Tripod Power Light



- Heavy duty construction
- Hinged style face frame
- Telescopes from 40" to 76" with "Easy Grip" locking nuts
- Adjustable extension leg for use on uneven surfaces
- Wire cord storage brackets on pole
- Extra bulb storage tube
- Weatherproof on/off switch
- Complete with three - 500w halogen bulbs
- Limited 5 year Warranty
- UL & CUL Listed

Model #: L-11 UPC #: 0-90529-605916

Case Pack: 2

500watt Halogen S-Handle Power Light



- Heavy duty construction
- Stand with foam handle and foam feet
- Large face frame and housing for cooler operation and longer bulb life
- Extra bulb storage tube
- Weatherproof on/off switch
- Complete with two 500w halogen bulbs
- Limited 5 year Warranty
- UL & CUL Listed

Model #: L-38 UPC #: 0-50929-608801

Case Pack: 6

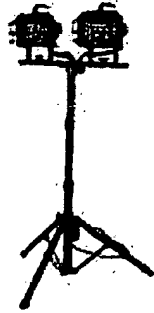
1000watt Power Light Twin Head Tripod with GFCI Outlet

- Safety tempered glass lenses
- Hinged style face frames
- Heavy Duty Telescoping stand with leg extension for use on uneven

500watt Power Light Portable Worklight with Duplex Outlet



- Heavy duty construction
- Weatherproof on/off switch
- Extra bulb storage tube
- Complete with



- surfaces
- Telescopes from 40" to 76" with "Easy Grip" locking nuts
- Wire cord storage bracket on pole
- Extra bulb storage tube
- Weatherproof individual on/off switches for each light head
- Complete with three – 500 watt halogen bulbs
- Limited 5 year warranty
- UL & CUL Listed

- two - 500w halogen bulbs
- For dry location use
- Limited 5 year Warranty
- UL & CUL Listed

Model #:	UPC #:	Case Pack:	Model #:	UPC #:	Case Pack:
L-85	090529-604247	1	L-835	0-90529-606258	4

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PRO SERIES PLUS WORKLIGHTS

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- Security Lighting
- Industrial Lighting

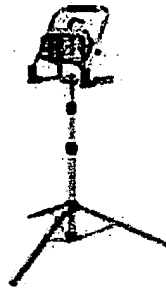
Worklights - Halogen

Pro Series PLUS™ | Home Light Series™ | Pro Series™

Pro Series PLUS™ - Halogen Worklights

All lights shown are approved for outdoor use.

500watt Halogen Power Light with Combo Base



- Heavy duty construction
- Telescopes from 40" to 76" with "easy grip" locking nuts
- Cord storage bracket on pole
- Weatherproof on/off switch
- Extra bulb storage tube
- Complete with two - 500w halogen bulbs
- Limited Lifetime Warranty
- Sled Base and Tripod included
- UL & CUL Listed

Model #: L-13 UPC #: 0-90529-600003 Case Pack: 2

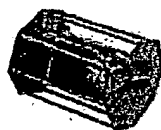
500watt Halogen Wall Mounted Adjustable Arm Worklight



- Heavy duty construction
- Adjustable arm extends from wall 40"
- Weatherproof on/off switch
- Extra bulb storage tube
- Complete with two - 500w halogen bulbs
- Limited Lifetime Warranty
- UL & CUL Listed

Model #: L-41 UPC #: 0-90529-451063 Case Pack: 1

500watt Halogen "Gladiator" Spring Mounted



- Professional grade construction
- Light housing supported by stainless steel springs providing protection against impact extending bulb life

1500watt Halogen Triple Head Tripod Power Light

- Professional grade construction
- Hinged style face frame
- Professional grade construction
- Adjustment extension leg for use on

- Heavy duty style roll cage gives maximum protection
- Extra bulb storage tube
- Complete with two - 500w halogen bulbs
- Limited Lifetime Warranty
- UL & CUL Listed



- uneven surface
- Wire cord storage bracket on pole
- Telescopes from 40" to 76" with "easy grip" locking nuts
- Weatherproof on/off switches
- Extra bulb storage tubes
- Complete with four - 500w halogen bulbs
- Limited Lifetime Warranty
- UL & CUL Listed

Model #:	UPC #:	Case Pack:	Model #:	UPC #:	Case Pack:
L-112	0-90529-611009	1	L-338	0-90529-610828	1

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SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT
 TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
 THE SECURITIES EXCHANGE ACT OF 1934
 For the fiscal year ended February 3, 2002
 OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
 SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-8207

THE HOME DEPOT, INC.
 (Exact Name of Registrant as Specified in Its Charter)
 DELAWARE
 (State or Other Jurisdiction of Incorporation or Organization)

IRS NO. 95-3261426
 (I.R.S. Employer Identification No.)

2455 PACES FERRY ROAD, ATLANTA, GEORGIA
 (Address of Principal Executive Offices)

30339-4024
 (Zip Code)

Registrant's telephone number, including area code: (770) 433-8211

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Common Stock, \$.05 Par Value	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the Common Stock of the Registrant held by nonaffiliates of the Registrant on April 1, 2002, was \$109,162,373,624. The aggregate market value was computed by reference to the closing price of the Common Stock on the New York Stock Exchange on such date. For the purposes of this response, executive officers and directors are deemed to be the affiliates of the Registrant and the holdings by nonaffiliates was computed at 2,263,840,183 shares.

The number of shares outstanding of the Registrant's Common Stock as of April 1, 2002 was 2,350,050,699 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 2001 Annual Report to Stockholders are incorporated by reference in Part II.

Portions of the Registrant's Proxy Statement for the 2002 Annual Meeting of Stockholders to be held on May 29, 2002, are incorporated by reference in Part III.

<PAGE>

INCORPORATION BY REFERENCE

Filings made by companies with the Securities and Exchange Commission sometimes "incorporate information by reference." This means that the company is referring you to information that was previously filed with the SEC, and this information is considered to be part of the filing you are reading. The following materials are incorporated by reference into this Form 10-K:

- Information contained in our Proxy Statement for the 2002 Annual Meeting of Stockholders is incorporated by reference in response to Items 10 through 13 of Part III.
- Information contained on pages 24 through 35 of our 2001 Annual Report to Stockholders is incorporated by reference in response to Item 8 of Part II.

FORWARD-LOCKING STATEMENTS MAY PROVE INACCURATE

Certain statements we make in this report, and other written and oral statements made by us or our authorized executive officers on our behalf may constitute "forward-looking statements" within the meaning of the federal securities laws. Words or phrases such as "should result," "are expected to," "we anticipate," "we estimate," "we project," "we believe" or similar expressions are intended to identify forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the Company's historical experience and its present expectations or projections. These risks and uncertainties include, but are not limited to:

- unanticipated weather conditions;
- stability of costs and availability of sourcing channels;
- our ability to attract, train and retain highly-qualified associates;
- conditions affecting the availability, acquisition, development and ownership of real estate;
- general economic conditions;
- the impact of competition; and
- regulatory and litigation matters.

You should not place undue reliance on forward-looking statements, since such statements speak only as of the date they are made. Additional information concerning the risks and uncertainties listed above and other factors you may wish to consider are provided beginning on page 25 under "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition - Forward-Looking Statements May Prove Inaccurate."

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PART I

ITEM 1. BUSINESS

The Home Depot, Inc. is the world's largest home improvement retailer and the second largest retailer in the United States based on net sales volume for fiscal 2001. At the end of our 2001 fiscal year, we were operating 1,333 stores. Most of our stores are either Home Depot(R) stores or EXPO Design Center(R) stores. A description of each of these types of stores is as follows:

- HOME DEPOT STORES: Home Depot stores sell a wide assortment of building materials and home improvement and lawn and garden products and provide a number of services. Home Depot stores average approximately 109,000 square feet of enclosed space, with an additional approximately 22,000 square feet in the outside garden area. At fiscal year end, we had 1,287 Home Depot stores located throughout the United States, Canada, Argentina and Mexico.
- EXPO DESIGN CENTER STORES: EXPO Design Center stores sell products and services primarily for home decorating and remodeling projects. Unlike Home Depot stores, EXPO Design Center stores do not sell building materials and lumber. Rather, EXPO Design Center stores offer interior design products, such as kitchen and bathroom cabinetry, tile, flooring and lighting fixtures and installation services. The prototypical EXPO Design Center is approximately 101,000 square feet. At the end of fiscal 2001, we were operating 41 EXPO Design Center stores in the United States.

Additionally, at the end of fiscal 2001 we were operating four Villager's(SM) Hardware test stores in New Jersey. Villager's Hardware stores offer products for home enhancement and small projects. We also have one test store called The Home Depot Floor Store(SM) in Texas that sells only flooring products. We also began testing a new store format focused on the professional customer, and at the end of fiscal 2001, we were operating two Home Depot Supply stores.

We offer products through two direct marketing subsidiaries. Maintenance Warehouse(R), a wholly-owned subsidiary, is a direct marketer of maintenance, repair and operations products serving primarily the multi-family housing and lodging facilities management market. The company fills orders through its 21 distribution centers, which are located throughout the United States. National Blinds & Wallpaper(SM), a wholly-owned subsidiary, is a mail order service for wallpaper, custom window treatments and rugs.

We operate three other wholly-owned subsidiaries, Georgia Lighting, Inc., Apex Supply Company, Inc. and Your "other" Warehouse, Inc. Georgia Lighting(R), a specialty lighting designer, distributor and retailer, has seven retail locations in Georgia. Apex Supply Company is a wholesale supplier of plumbing, HVAC, appliances and other related professional products with 22 locations in Florida, Georgia, South Carolina and Tennessee. In November 2001, Home Depot

acquired Your "other" Warehouse(R), which is a plumbing distributor that focuses on special order fulfillment through its four facilities located in Louisiana and Nevada.

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On October 31, 2001, we completed the sale of our five stores in Chile to our former joint venture partner, Falabella. In February 2002, the Company also sold its four stores in Argentina.

During fiscal 2001, we acquired TotalHOME, Mexico's second largest home improvement retailer that has three stores in Monterrey and one in Mexico City. In March 2002, we announced that we have entered into an agreement to purchase Del Norte, a four-store chain of home improvement stores in Juarez, Mexico. The transaction is subject to approval by the Mexican government.

The Home Depot, Inc. is a Delaware corporation that was incorporated in 1978. Our Store Support Center (corporate office) is located at 2455 Paces Ferry Road, Atlanta, Georgia 30339-4024. The telephone number is (770) 433-8211.

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RETAIL BUSINESSES

HOME DEPOT STORES

OPERATING STRATEGY. The operating strategy for Home Depot stores is to offer a broad assortment of high-quality merchandise and services at competitive prices using highly knowledgeable, service-oriented personnel and aggressive advertising. We believe that our associates' knowledge of products and home improvement techniques and applications is very important to our marketing approach and our ability to maintain customer satisfaction. We regularly check our competitors' prices to ensure that our prices are competitive within each market.

CUSTOMERS. Home Depot stores serve three primary customer groups:

- **DO-IT-YOURSELF ("D-I-Y") CUSTOMERS:** These customers are typically homeowners who purchase products and complete their own projects and installations. To complement the in-store expertise of our associates, Home Depot stores offer many D-I-Y "how-to" clinics taught by associates and merchandise vendors.
- **DO-IT-FOR-ME ("D-I-F-M") CUSTOMERS:** These customers are typically homeowners who purchase materials themselves and hire third parties to complete the project and/or installation. We offer these customers installation services for a variety of products through third party contractors.
- **PROFESSIONAL CUSTOMERS:** These customers are professional repair remodelers, general contractors and tradesmen. In many stores we offer a variety of programs to these professional customers, including additional delivery and will-call services, dedicated staff, extensive merchandise selections and expanded credit programs, all of which we believe increase

sales.

PRODUCTS. A typical Home Depot store stocks approximately 40,000 to 50,000 product items, including variations in color and size. Each store carries a wide selection of high-quality and nationally advertised brand name merchandise. The following table shows the percentage of sales of each major product group for each of the last three fiscal years:

<TABLE>
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	Percentage Fiscal

	Feb. 3, 2002

<S>	<C>
Product Group	
Building materials, lumber and millwork.....	23.6%
Plumbing, electrical and kitchen.....	28.1
Hardware and seasonal.....	27.6
Paint, flooring and wall coverings.....	20.7

Total.....	100.0%
	=====

</TABLE>

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We buy our store merchandise from vendors located throughout the world. We are not dependent on any single vendor. Most of our merchandise is purchased directly from manufacturers, which eliminates "middleman" costs. We believe that competitive sources of supply are readily available for substantially all of the products we sell in Home Depot stores.

We maintain a global sourcing merchandise program to source high-quality products directly from overseas manufacturers, which gives our customers a broader selection of products and better values while enhancing our gross margin. Our product development managers travel internationally to identify opportunities to purchase items directly for our stores. This enables us to improve product quality, to import products not currently available to our customers and to offer at a lower price products that would otherwise be purchased from third party importers. We currently source products from more than 500 manufacturers in approximately 40 countries.

To complement the established national brand name products we offer, we have formed strategic alliances with vendor partners to market products under brand names that are only offered through The Home Depot. At the end of fiscal year 2001, we offered products under proprietary and other exclusive brands, including Thomasville(R) kitchen and bathroom cabinets; RIDGID(R) power tools; Behr Premium Plus(R) paint; Mill's Pride(R) cabinets; GE(R) SmartWater water heaters; and Vigoro(R) fertilizer. In the future, we may consider additional strategic alignments with other vendors to offer products under proprietary brand names. Additionally, we will continue to assess opportunities to expand the range of products available under existing proprietary brands.

10-K 1 sears10k2001.htm FORM 10K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

X For Annual and Transition Reports pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 29, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-416

SEARS, ROEBUCK AND CO.
(Exact Name of Registrant as Specified in Its Charter)

New York
(State of Incorporation)
3333 Beverly Road, Hoffman Estates, Illinois
(Address of principal executive offices)

36-1750680
(I.R.S. Employer Identification No.)
60179
(Zip Code)

Registrant's telephone number, including area code: (847) 286-2500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of Each Exchange on Which Registered
Common Shares, par value \$0.75 per share	New York Stock Exchange Chicago Stock Exchange Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

On January 31, 2002, the Registrant had 320,374,844 common shares outstanding. Of these, 242,383,521 common shares, having an aggregate market value (based on the closing price of these shares as reported in a summary of composite transactions in *The Wall Street Journal* for stocks listed on the New York Stock Exchange on January 31, 2002) of approximately \$12.8 billion, were owned by shareholders other than (i) directors and executive officers of the Registrant and (ii) any person known by the Registrant as of the date thereof to beneficially own five percent or more of Registrant's common shares.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Documents Incorporated By Reference

Part III of this Form 10-K incorporates by reference certain information from the Registrant's definitive Proxy Statement, dated March 27, 2002, for its Annual Meeting of Shareholders to be held on May 9, 2002 (the "2002 Proxy Statement").

PART I

Item 1. Business

Sears, Roebuck and Co. ("Sears") originated from an enterprise established in 1886 and was incorporated under the laws of New York in 1906. Its principal executive offices are located at 3333 Beverly Road, Hoffman Estates, Illinois. Sears (together with its consolidated subsidiaries, the "Company") is a multi-line retailer that offers a wide array of merchandise and related services. In addition, through its Credit and Financial Products businesses, the Company offers its customers various financial, credit and related insurance products. The Company is organized into four principal business segments - Retail and Related Services, Credit and Financial Products, Corporate and Other, and Sears Canada. The Company is among the largest retailers of merchandise in North America.

The domestic business segments are Retail and Related Services, Credit and Financial Products and Corporate and Other. The Company considers its operations in both Puerto Rico and the United States as domestic.

The Sears Canada segment consists of similar retail, credit and corporate operations conducted through a majority-owned subsidiary in Canada.

For further information, see "Retail and Related Services", "Credit and Financial Products", "Corporate and Other" and "Sears Canada" below and "Management's Discussion and Analysis" under Item 7 hereof.

Information regarding revenues, operating income, total assets and capital expenditures of the Company's business segments for each of the three fiscal years ended December 29, 2001, December 30, 2000 and January 1, 2000 is contained in Note 15 of the Notes to Consolidated Financial Statements, in Item 8 hereof. Information on the components of revenues is included in "Management's Discussion and Analysis" in Item 7 hereof.

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The Company's business segments are defined as follows:

Retail and Related Services - consisting of:

Full-line Stores - 867 Full-line Stores, averaging approximately 90,000 selling square feet, located primarily in the best malls in the nation and offering:

- ***Hardlines*** - A full assortment of appliances, electronics and home improvement products including fitness and lawn and garden equipment; products range from major national brands to exclusive Sears brands such

as Kenmore, Craftsman and WeatherBeater. Certain hardlines products are also sold online at Sears.com and through three Sears Appliances and Electronics Stores, a new retail format which is being tested by the Company. These three stores, averaging 15,000 selling square feet, are located in neighborhood shopping centers and offer the same appliance and electronic products found in the Full-line Stores.

- ♦ *Softlines* - A complete selection of fashionable, quality apparel and accessories for the whole family, fine jewelry and home fashions, at value prices; includes leading national brands as well as exclusive Sears brands such as Canyon River Blues, Fieldmaster, Crossroads, Apostrophe and TKS Basics.
- ♦ *Sears Auto Centers* - Offer major national brands of tires, DieHard and other brands of batteries and related automotive services.
- ♦ *Sears.com* - Sears online presence, offers a limited assortment of hardlines and softlines merchandise.

Specialty Stores - More than 1,300 Specialty Stores, located primarily in free-standing, off-the-mall locations or high-traffic neighborhood shopping centers.

- ♦ *Dealer Stores* - 793 primarily independently-owned stores, predominately located in smaller communities and averaging 5,400 selling square feet, that offer appliances, electronics, lawn and garden merchandise, hardware and automobile batteries. Dealer Stores carry exclusive Sears brands such as Craftsman, Kenmore and DieHard as well as a wide assortment of national brands.
- ♦ *Hardware Stores* - 248 neighborhood Hardware Stores under the Sears Hardware and Orchard Supply Hardware names, ranging from 20,000 to 40,000 selling square feet, that carry Craftsman tools and lawn and garden equipment, a wide assortment of national brands and other home improvement products.
- ♦ *National Tire & Battery (NTB)* - 223 stores that offer major national brands of tires, DieHard and other brands of batteries and related services.
- ♦ *The Great Indoors* - 13 stores for home decorating and remodeling, averaging approximately 100,000 selling square feet, dedicated to the four main rooms of the house: kitchen, bedroom, bathroom and great room.
- ♦ *Commercial Sales* - Primarily targets home builders, remodelers and property managers for appliance purchases as well as vocational schools, factory maintenance and service companies for industrial tool purchases. Commercial Sales has also implemented the Appliance Select program, which utilizes 82 Full-line Stores as showrooms to target the new home buyer and offers a full selection of Kenmore and other major national brand kitchen and home appliances.
- ♦ *Outlet Stores* - 35 stores averaging 29,000 selling square feet that offer appliances, electronics and lawn and garden merchandise.
- ♦ *Homelife Furniture Stores* - Included in 1999 until January 30, 1999, when the Company sold Homelife.

Related Services - consists primarily of:

- ♦ *Sears Repair Services* - A broad range of services including service contracts, product installation and repair services primarily for products sold by the Company.

- ♦ *Direct to Customer* - Direct marketing of goods and services, clubs and services memberships, merchandise through specialty catalogs and impulse and continuity merchandise.

Credit and Financial Products:

This segment manages the Company's domestic portfolio of credit card receivables. The domestic credit card receivables portfolio consists primarily of Sears Card and Sears ChargePlus (collectively "Sears Card") and Sears Gold MasterCard and The Great Indoors Gold MasterCard (collectively "Sears Gold MasterCard") account balances. The proprietary Sears Card receivables are generated primarily from purchases of merchandise and services from the Company's domestic operations. The Sears Gold MasterCard products are widely accepted by merchants outside the Company. The Sears Gold MasterCard product receivables are generated from purchases from the Company and other merchants, balance transfers and cash advances. This segment also sells related financial products such as credit protection and insurance products.

Sears National Bank (the "Bank"), a wholly-owned subsidiary of Sears based in Arizona, is a limited purpose credit card bank engaging in credit card operations. The Bank is subject to certain restrictions under federal law applicable to credit card banks as well as to Arizona credit card lending guidelines. The Bank originates accounts in all fifty states.

Corporate and Other:

Corporate and Other operations include activities that are of an overall holding company nature, primarily consisting of administrative activities, the costs of which are not allocated to the Company's businesses. The Corporate and Other segment also includes two businesses that are under strategic review. In 2001, the Company added its Sears Termite and Pest Control business and the Sears Home Improvement Services businesses (primarily sales of home siding and windows) to the Corporate and Other segment. During 2001, the Company sold the Sears Termite and Pest Control business. The Home Improvement Services business remains under strategic review.

Sears Canada:

The Company conducts similar retail, credit and corporate operations in Canada through Sears Canada Inc. ("Sears Canada"), a consolidated, 54.4% owned subsidiary of Sears.

On December 30, 1999, Sears Canada completed a share purchase transaction with The T. Eaton Company Limited ("Eaton's"). Sears Canada acquired 16 Eaton's store locations and an additional three leased Eaton's store locations, among other assets. Of the 19 Eaton's locations acquired during fiscal 2000, Sears Canada converted 10 locations to Sears Canada department stores (three in replacement of existing Sears Canada stores in close proximity to the Eaton's locations), one to a Sears Furniture Store, one to an outlet store and opened seven stores under the Eaton's format. In February 2002, Sears Canada announced its intention to convert the remaining seven Eaton's stores to Sears Canada stores.

Seasonality

Due to holiday buying patterns, merchandise sales traditionally are higher in the fourth quarter than in the other quarterly periods, and the Company typically earns a disproportionate share of operating income in the fourth quarter.



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UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended February 1, 2002
 OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-7898

LOWE'S COMPANIES, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA	56-0578072
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification No.)

1605 CURTIS BRIDGE ROAD, WILKESBORO, N.C.	28697
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (336) 658-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock \$.50 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s)), and (2) has been subject to such filing requirements for the past 90 days. Yes x , No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the

registrant at April 1, 2002, based on a closing price of \$43.23 per share, was \$30,069,758,953.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class: COMMON STOCK, \$.50 PAR VALUE, Outstanding at April 1, 2002:
776,775,934 shares.

Documents Incorporated by Reference

Annual Report to Security Holders for fiscal year ended February 1, 2002: Parts I and II. With the exception of specifically referenced information, the Annual Report to Security Holders for the fiscal year ended February 1, 2002 is not to be deemed filed as part of this report. Proxy Statement for the 2001 Annual Meeting which will be filed within 120 days after February 1, 2002: Part III.

Part I

Item 1 - Business

General

Lowe's Companies, Inc. (the Company or Lowe's) is the second largest retailer of home improvement products in the world, with a specific emphasis on retail do-it-yourself (DIY) and commercial business customers. Lowe's specializes in offering products and services for home improvement, home decor, home maintenance, home repair and remodeling, and maintenance of commercial buildings. As of February 1, 2002, Lowe's operated 744 stores in 42 states, with approximately 80.7 million square feet of retail selling space.

Lowe's was incorporated in North Carolina in 1952 and has been a publicly held company since 1961. Lowe's common stock is listed on the New York Stock Exchange, with shares trading under the ticker symbol "LOW." Lowe's general offices are located in Wilkesboro, North Carolina.

Lowe's has one reportable industry segment - the operation of home improvement retail stores. See Item 6 "Selected Financial Data" for the historical data of revenues, profits and identifiable assets of the Company.

Store Expansion

Lowe's is continuing to maintain an aggressive growth strategy. Lowe's current prototype store has a 121,000 square foot sales floor with an attached lawn and garden center comprising approximately 30,000 additional square feet. Lowe's 2002 expansion plan calls for opening approximately 123 stores (including the relocation of approximately 8 smaller format stores). The Company is focusing much of its future expansion on metro markets with populations of 500,000 or more. Stores in these larger markets made up approximately 65% of the total expansion in 2001 and will comprise a similar percentage of growth in 2002. The following table illustrates the growth of the Company over the last three years.

	2001	2000	1999
Number of stores, beginning of year	650	576	520
New stores opened	101	80	60

Relocated stores opened	14	20	31
Stores closed (including relocated stores)	(21)	(26)	(35)
Number of stores, end of year	744	650	576

Customer Service

Lowe's serves both retail and commercial business customers. Retail customers are primarily do-it-yourself homeowners and others buying for personal and family use. Commercial business customers include repair and remodeling contractors, electricians, landscapers, painters, plumbers and commercial and residential building maintenance professionals. Each Lowe's store caters to these customers by combining the merchandise, sales and service of: a home fashions and interior design center; a lawn and garden center; an appliance dealer; a hard goods discounter; a hardware store; an air conditioning, heating, plumbing and electrical supply center; and a building materials supplier.

Lowe's offers two proprietary credit cards - one for individual retail customers and the other for commercial business customers. Lowe's commercial business customers can also make purchases on credit by using Lowe's in-house accounts. In addition, Lowe's accepts Visa, MasterCard, Discover and American Express credit cards.

Products

A typical Lowe's home improvement warehouse stocks more than 40,000 items, with hundreds of thousands of items available through our special order system. Each store carries a wide selection of nationally advertised brand name merchandise. The Company's merchandise selection supplies both the DIY retail and commercial business customer with items needed to complete home improvement, repair, maintenance or construction projects. See Note 15 on page 38 of the Annual Report to Security Holders for fiscal year ended February 1, 2002 for the table illustrating sales by product category for each of the last three fiscal years.

Excluding special order vendors, the Company sources its products from approximately 7,000 merchandise vendors worldwide, with no single vendor accounting for more than 4% of total purchases. The Company is not dependent upon any single vendor. To the extent possible, the Company utilizes its Global Sourcing Division to purchase directly from foreign manufacturers and avoid third party importers. Management believes that alternative and competitive suppliers are available for virtually all its products, further increasing opportunities for product quality and operating margins. Lowe's has begun to cultivate and execute vendor alliance partnerships with key vendor partners in an effort to enhance our market share where such partnerships are advantageous to the customer, Lowe's and the vendors.

In order to maintain appropriate inventory levels in stores and to improve distribution efficiencies, the Company operates seven highly automated regional distribution centers (RDC's). The current RDC's are strategically located in North Carolina, Georgia, Indiana, Pennsylvania, Texas, California and Ohio. Each Lowe's store is served by one of these RDC's. The Company also operates nine smaller support facilities in order to distribute merchandise that requires special handling due to size or type of packaging, such as lumber, various imports and building materials. Approximately 50% of the merchandise purchased by the Company is shipped through its distribution facilities, while the remaining portion is shipped